

Message Text

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ACTION ARA-14

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COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
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FM AMEMBASSY QUITO
TO SECSTATE WASHDC PRIORITY 8087
INFO AMEMBASSY PARIS
AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2865

E.O. 11652: GDS
TAGS: EINV, EMIN, ENRG, EC
SUBJECT: DEVELOPMENTS IN PROPOSED NORTHWEST/GOE/FRENCH CONSORTIUM
TO DEVELOP GAS IN GULF OF GUAYAQUIL

REF: QUITO 2371

1. AFTER LEARNING FROM THE EMBASSY OF THE PROPOSAL BY A GROUP OF FRENCH COMPANIES TO PROCESS THE GULF OF GUAYAQUIL GAS DEPOSITS IN AN AMMONIA/UREA FERTILIZER COMPLEX, WITH THE US FIRM NORTHWEST (NW) TO BE GIVEN A SUBCONTRACT FOR ALL PIPELINE WORK (SEE REFTTEL), LOCAL NW REPRESENTATIVES CONTACTED THE FIRM'S US HEADQUARTERS. GLEN NELLE, THE US-BASED HEAD OF NW ECUADOR, WAS RECEPTIVE TO THE PROPOSAL, IN PRINCIPLE, SUBJECT TO RECEIVING MORE DETAILED INFORMATION.
 2. LOCAL REPRESENTATIVES OF THE FRENCH FIRMS SUBSEQUENTLY CONTACTED THE LOCAL NW OFFICIALS, AND DETAILS OF THE PROPOSAL WERE DISCUSSED.
 3. NELLE AND TWO NW LAWYERS PLAN TO MEET WITH THE FRENCH GROUP ON MAY 3 IN PARIS TO EXPLORE THE POTENTIAL FOR AN AGREEMENT.
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4. THE EMBASSY HAS LEARNED THAT THE FIRMS INVOLVED IN THE FRENCH CONSORTIUM, BESIDES CFP TOTAL (PRIVATE FRENCH PETROLEUM COMPANY) AND CDF (THE STATE COAL MINES OF FRANCE COMPANY), INCLUDE NITRADE, THE FERTILIZER MARKETING SUBSIDIARY OF CDF, AND AN UNNAMED ENGINEERING SUBSIDIARY OF CDF. THE FRENCH FIRM ORIGINALLY DESIGNATED TO DO THE

PIPELINE WORK, AND LATER RELEGATED TO A POSITION BEHIND NW IF NW DECIDED TO ACCEPT THE SUBCONTRACT WORK, WAS ENTREPROSE.

5. THE EMBASSY HAS ALSO LEARNED THAT A MEETING WAS HELD ON APRIL 25 IN THE OFFICE OF NATURAL RESOURCES MINISTER GEN JAIME SEMBLANTES TO DISCUSS THE PROPOSALS THAT NW DELIVERED TO THE MINISTRY IN EARLY MARCH TO DEVELOP THE GAS DEPOSITS. PRESENT AT THE MEETING, BESIDES SEMBLANTES, WERE JULIO GRANJA, ACTING DIRECTOR OF THE DIRECTORATE GENERAL OF HYDROCARBONS, JORGE ANDRADE FROM THE INDUSTRIALIZATION DEPARTMENT OF THE STATE PETROLEUM CORPORATION (CEPE), A SR DE LA TORRE FROM CEPE'S LEGAL DEPARTMENT, RENE ORTIZ, THE COORDINATOR OF THE NATURAL RESOURCES MINISTRY'S PETROLEUM POLICY ADVISING COMMISSION, AND LOCAL REPRESENTATIVES OF NW. SEMBLANTES MADE CLEAR HIS VIEW THAT NW'S PROPOSAL INVOLVED TOO LITTLE INVESTMENT AND RISK ON NW'S PART. HE OPINED THAT NW NEED NOT WORRY ABOUT THE POLITICAL STABILITY OF THE COUNTRY, AND THAT THE GOE HAD GIVEN AMPLE GUARANTEES TO FOREIGN INVESTMENT. THE MINISTER CHARGED NW AND CEPE WITH PRODUCING WITHIN ONE MONTH AN ACCEPTABLE JOINT PROPOSAL TO DEVELOP THE GAS DEPOSITS, EVEN IF THE TWO FIRMS HAD TO WORK DAY AND NIGHT. HE STATED THAT OTHER FOREIGN FIRMS STOOD READY TO DEVELOP THE GAS DEPOSITS, BUT HE DID NOT NAME THE FRENCH COMPANIES. THE REPLY FROM THE LOCAL NW
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OFFICIALS THAT THEY KNEW OF THE FRENCH PROPOSAL DID NOT INVOKE ANY COMMENT FROM THE GOE OFFICIALS.

6. AFTER LEARNING OF THE ONE-MONTH DEADLINE, NELLE STATED TO A LOCAL NW REPRESENTATIVE THAT THERE MIGHT NOT BE ENOUGH TIME TO DEVELOP A NEW PROPOSAL, ESPECIALLY IF NW DECIDES TO ACCEPT THE FRENCH OFFER. IF NW AND THE FRENCH FIRMS MAKE SIGNIFICANT PROGRESS IN THEIR MEETING NEXT WEEK, SEMBLANTES PRESUMABLY COULD ALLOW AN EXTENSION OF HIS DEADLINE, ALTHOUGH PUBLIC CLAMOR REMAINS HIGH FOR A SPEEDY END TO THE DEADLOCK OVER THE GULF OF GUAYAQUIL PROJECT.
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